

7-22-1980

Edwardsville Bulletin: July 22, 1980

Southern Illinois University Edwardsville

Follow this and additional works at: <http://spark.siu.edu/bulletin>

Recommended Citation

Southern Illinois University Edwardsville, "Edwardsville Bulletin: July 22, 1980" (1980). *SIUE "Bulletin"*. 275.
<http://spark.siu.edu/bulletin/275>

This Article is brought to you for free and open access by the University Archives and Special Collections at SPARK. It has been accepted for inclusion in SIUE "Bulletin" by an authorized administrator of SPARK. For more information, please contact gpark@siue.edu.

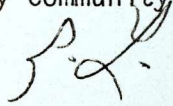


Edwardsville Bulletin

To the Faculty and Staff of Southern Illinois University at Edwardsville

Vol. 12, No. 16
July 22, 1980

MEMO TO: The University Community

FROM: Earl Lazerson 

SUBJECT: Report of the University Budget Review Committee, 1979-1980

The Budget Review Committee has worked during this past year to define criteria for the allocation of resources and to identify areas of possible cost savings. I strongly support the spirit embodied in the Committee's 281-page report and more specifically, the attached general conclusions and recommendations. In addition to a distribution to administrative officers and constituency heads, copies of the entire report will be available in Lovejoy Library.

The members of the Budget Review Committee are to be commended for the high caliber of their report. I have asked the Vice-Presidents to review the recommendations of the report and provide plans for implementation of the recommendations. As these plans are developed, the University community will be kept informed.

Attachment

Report
of the
UNIVERSITY BUDGET REVIEW COMMITTEE
1979-1980

Membership:

Thomas King, Chairman
Phil Calcagno
Ron Glossop
Jimmy Hatfield
Peter Herdman
John Jennetten
Warren Joseph
John Meisel
Henry Omokhua
Eugene O'Neal
R. N. Pendergrass
Randy Rock

Introduction

This report is divided into several sections. The first part presents recommendations relating to the budgeting and resource allocation process for SIU-E as a whole. The second part of the report describes the activities of the Budget Review Committee for 1979-80 and presents some additional recommendations of a more specific nature.

A number of Appendices follow Part II of the report. Included in Appendices A, B, C, and D are the reports of four of the subcommittees of the BRC. These reports include some recommendations not included in the main body of the report and some that differ from those in the main body. In addition, Appendices F and G include a series of graphs that should be helpful in attempting to evaluate past resource allocations and in attempting to plan for the future. A separate volume containing the data underlying these graphs will be sent to the President to be distributed as recommended in this report.

Because much of the Committee's time was spent developing the data reflected in Appendices F and G, there was little time remaining to develop recommendations based upon this data. The BRC recommends, therefore, that the data be examined carefully for its implications by the appropriate administrators and the new Budget Review Committee.

Part I

General Conclusions and Recommendations

The Budget Review Committee is convinced that Southern Illinois University at Edwardsville is faced with serious problems and that immediate and resolute action is needed if SIU-E is to avoid even more serious problems in the near future. SIU-E currently is experiencing rapidly rising prices, increasing budgetary pressure from the state, and seriously declining enrollments. Based on the IBHE's comparative cost study, SIU-E is considerably overfunded, and the IBHE is attempting to reduce the amount of the overfunding through reductions in SIU-E's base budget over a period of several years. While it may seem easy to criticize the IBHE's comparative cost study, such an approach simply diverts energy from the real task at hand. Regardless of the types of comparisons made, and regardless of the types of items included or excluded from the comparisons, the fact remains that SIU-E is a high-cost institution.

There are, of course, a number of external factors impacting upon our situation at SIU-E, factors over which we have little or no control. There is little that we can do about the significant decline in the number of Illinois high school graduates, or about the high rate of inflation, or about the attitude of the public toward high tax levels. We can, however, develop strategies to cope with the impact of these

and other external factors on SIU-E. Such strategies would demand not only the development of specific plans and formal planning documents, but also the implementation and follow-through phases which are requisites of any effective planning process.

Certainly there have been some attempts to deal with our problems at SIU-E, but these appear more as isolated efforts aimed at the symptoms of these problems rather than as part of a unified and coordinated plan aimed at putting SIU-E on a firm foundation for the future.

The BRC feels strongly that a well-specified, logical approach is needed in evaluating resource needs and allocations. The current approach to resource allocation at SIU-E generally involves basing the new allocations upon the previous year's allocations, with some adjustments. Such an approach tends to put more emphasis on maintaining the status quo than on attempting to achieve the goals of the institution in a changing environment. Further, the criteria upon which allocation adjustments are based are not adequately specified or communicated, thus fostering a feeling of uncertainty throughout the institution as to why previous adjustments have been made and how future allocations will be determined.

Although there are efforts currently underway aimed at the eventual establishment of a long-range planning process for SIU-E, the BRC feels that the need for formalized analysis leading to formalized planning and evaluation is immediate. In that regard, the BRC makes several specific recommendations

with respect to the resource allocation process at SIU-E.

The BRC recommends that the following procedures be instituted and employed until such time as a permanent set of planning and evaluation procedures have been established:

1. Each fiscal unit should establish meaningful measures of its own productivity in the areas of teaching, research, and/or service as applicable to the unit mission and consistent with the University mission. These measures are considered necessary and useful in the planning and evaluation process, even though they may be viewed as tentative and imperfect. Attempts also should be made to develop measures relating to the qualitative aspects of the unit to supplement and amplify the productivity measures.

Productivity, as used in this report, refers to the results of or benefits derived from the specified activity. In arriving at appropriate measures of productivity, questions such as the following should be asked and answered:

- a. In what activities does the unit engage?
 - b. What quantitative records of the number of times this activity is performed are/can be available?
 - c. What is the desired impact of this activity? How can this impact be quantified?
 - d. In what way might the activity be considered effective? How might this effectiveness be quantified?
2. Each credit-producing unit should be thoroughly evaluated to determine the appropriate level of resources for that unit to carry out its mission in light of the institutional mission and the current environment in which SIU-E must operate. In evaluating each unit, appropriate comparative data should be considered; that

is, comparisons of resource levels and resource utilization should be made among the various credit producing units and for individual units over time. Examples of the types of comparisons that may be appropriate are shown in Appendices F and G. Relevant measures could include:

	<u>Comparisons Over Time</u>	<u>Comparisons Among Units</u>
(a) Credit hour production	X	
(b) Number of staff	X	
(c) Support dollars	X	
(d) Salary dollars	X	
(e) Credit hour production divided by number of (1) faculty FTE, (2) civil service FTE, (3) total staff FTE	X	X
(f) Number of majors divided by faculty FTE	X	X
(g) Total support dollars divided by (1) student credit hours, (2) faculty FTE	X	X
(h) Ratio of graduate, civil service and professional staff to faculty FTE	X	X

In addition, the IBHE's comparative cost study should be considered in evaluating each unit.

The BRC feels strongly that the measures suggested here can be quite useful in evaluating units when used in the proper manner. Such measures definitely should not be used as a basis for a mechanical approach to resource allocation designed to preclude judgements. Instead, the measures can be useful as screening devices, and their use can serve as a means of developing evaluation questions and identifying possible problem areas. In particular, there is no suggestion that all units should "look alike" in the sense that all units would be expected to have the same numerical value for a particular measure. Rather there are good reasons as to why units would differ, but these reasons should be documented and evaluated in light of the institution's overall mission and the current environment.

This evaluation should be completed by December, 1980 to apply to the FY 1982 budget. This type of in-depth evaluation should be conducted on a regular basis, no less frequently than once every three years.

3. All activities not resulting in credit hour production should be zero-based for purposes of budgeting and resource allocation. The justification for the existence and level of each such activity must be thoroughly documented on a periodic basis. This justification should be presented in a formal planning document and would include a statement of the purpose of the activity, an explanation of how the activity contributes to the mission of the institution, a description of relevant measures of productivity for the activity, and a complete and explicit cost-benefit analysis for the activity. A formal zero-based budget review of each such activity should be conducted at least once every five years and more often where appropriate; the first such review for each activity should be completed no later than December, 1980, to apply to the FY 1982 budget.
4. A thorough review of all academic programs should be made in the very near future to justify each curricular offering in the spirit of zero-based budgeting. Such a review should be conducted at least once every five years.
5. Each proposed new and expanded program, new fiscal unit, and new administrative structure should be justified based upon cost-benefit considerations. Proposals for all new and expanded programs, new fiscal units, and new administrative structures should be submitted to the University Planning and Budget Council for its recommendation and should contain (1) a justification in terms of the mission of the institution, (2) an explicit enumeration of the (nature and level of the) anticipated benefits, and (3) detailed cost data.
6. The annual budgeting process for credit-producing units should focus on identifying the appropriate level and use of resources for each unit to best carry out its agreed upon mission and achieve its desired educational emphasis. This process should make use of the measures developed in (1) and be formalized through a planning document such as that in Appendix E. Use of the planning document illustrated in Appendix E would force consideration of a unit's mission and educational emphasis as well as the appropriate resource allocations to achieve its goals. This (or a similar) document should be completed each year and used in negotiating each credit-producing unit's budget.

7. The channels for the budgeting process and budget review would be from the fiscal unit through normal administrative channels to the functional vice presidents or the president, whichever reporting line pertains. Each vice president, or the president, would present his administrative unit's comprehensive budget(s) to the appropriate subcommittee of the Budget Review Committee for review and recommendations. Following this stage, the vice presidents and the president would meet with the Budget Review Committee to present a unified budget for the university, along with the rationale for that budget. The Budget Review Committee would review the unified budget and make final recommendations. After consideration of these recommendations and after making any appropriate recommended reallocations, the president would finalize the budget proposal. This final budget proposal would be presented to the Budget Review Committee for informational purposes and would include a written explanation of any deviations from the BRC's recommendations.
8. Each credit-producing unit's share of the cost of noncredit-producing units (i.e., overhead) should be reflected in the annual budget allocation notification document provided to each credit-producing unit. This item is for informational purposes only so that the credit-producing units can discern the relationship between their costs and the total costs of operating the institution.
9. The role that the summer session is expected to play in achieving the goals of SIU-E must be defined. Further, explicit consideration must be given each year to the proportion of total fiscal year resources to be committed to the summer session and to the relationship between the resources committed and productivity.
10. Beginning with this report, the president should distribute copies of each report of the Budget Review Committee to all administrative officers of the university and constituency heads and should see that multiple copies are made available in the library.
11. The president and his staff, along with members of the Planning and Budget Council, should begin an immediate review of all recommendations and accompanying materials in this report to decide on future planning and implementation implications and to develop a comprehensive program for planning built on this beginning.
12. Implementation of the entire process described in points (1) - (11) should begin immediately.

The budgeting procedures proposed here provide for an ongoing process of planning and evaluation which forces explicit consideration of productivity as well as costs. Further, these proposals tend to focus heavily on specifying the role of each unit and activity in relation to the mission of the University. The approach suggested here also assigns a specific and important role in the budgeting process to the faculty, staff, and students through the Budget Review Committee. Currently, the BRC is not part of the formal budgeting process. In addition, these proposed budgeting procedures provide for the development and dissemination of information to a much greater extent than is currently the case.

While the BRC feels that the proposed procedures have many advantages, the Committee also recognizes that the process is not perfect and undoubtedly will need considerable change as it is implemented and used over time. Nevertheless, the Committee feels that it is crucial that SIU-E begin such a process now.

II. Committee Activities and Additional Recommendations

Because of the change in the governance structure at SIU-E, the Budget Review Committee was without a formal charge or stated purpose at the time that it was constituted prior to the start of the 1979-80 academic year. Therefore, the Committee took upon itself two tasks:

- (1) To define specific criteria for the allocation of resources at SIU-E.
- (2) To identify specific areas of possible cost savings at SIU-E.

Work of the Committee

Normally the term of the BRC would correspond approximately with the fiscal year. This year, however, the BRC did not start its work until after the beginning of the academic year due to the change in the governance structure. Part of the delay resulted from the student constituency not agreeing to the 8:3:3 (faculty: staff: students) composition of the committee until well after the start of the academic year. It should be noted that, even though the students were given three permanent positions on the committee plus an unofficial position for 1979-80, only one student attended any of the BRC meetings. No other student participated in any activity of the BRC.

The work of the BRC was carried out largely through the following subcommittees:

Academic Affairs; Warren Joseph, Chairman
Business Affairs; R.N. Pendergrass, Chairman
Student Affairs; Phil Calcagno, Chairman
President's Office; Jimmy Hatfield, Chairman
Allocation Criteria; Jimmy Hatfield, Chairman
Working Papers; Peter Herdman, Chairman

Much of the work of the committee involved gathering data from various sources. In that regard, the various administrators who were interviewed and from whom help was requested were cooperative and helpful; included among the administrators providing information to the Committee were Acting-President Lazerson, Acting Vice President for Academic Affairs Beard, Vice President for Business Affairs Frijters, Vice President for Student Affairs Stikes, and most deans of the schools. Also, Jim Metcalf, Controller and Budget Director, and John Reiner, Director of Institutional Research and Studies, were quite helpful.

Unfortunately, the tasks attempted by the Committee represented too large of an undertaking to be completed by the Committee in the limited time available. The role of a committee such as the BRC should be to provide input to and react to plans developed by administrators. Faculty, staff, and students have too many other claims upon their time to do the data collection, analysis, and planning that falls more in the domain of full-time administrators. Nevertheless, the BRC took a first step in attempting to formalize resource allocation criteria and in trying to identify areas where cost reductions would be appropriate. Hopefully, the results of the Committee's efforts for this year will serve

as a basis for the efforts of administrators and the BRC in the next and future fiscal years.

Criteria for Resource Allocation

The report of the Subcommittee on Resource Allocation Criteria appears in Appendix D. The Subcommittee found that if resource allocation criteria exist, they are neither well-defined nor well-known. Resource allocations tend to be largely the result of negotiations involving adjustments to the amounts allocated the previous year.

The Subcommittee was unable to find agreement, either in the relevant literature or among SIU-E administrators, as to appropriate criteria for resource allocation. Some suggestions of possible criteria are indicated in Part I of this report and in the report of the Subcommittee reproduced in Appendix D; these criteria are indicative of those that might be appropriate but the Committee is not suggesting that they should be adopted without further study. The BRC recommends that the question of criteria for resource allocation be pursued by the new Budget Review Committee as soon as possible.

Although the current BRC does not propose any specific criteria, it does make the following recommendations with regard to resource allocation criteria:

1. Resource allocations should not be based solely upon a single criterion, even within a single functional area (e.g., credit hour production within academic affairs).

2. Resource allocation criteria should be well-defined and widely communicated.
3. While the development and specification of resource allocation criteria is crucial, resource allocations should not be based solely upon the mechanistic application of rigid models that would preclude the use of judgement.
4. The use of explicit, well-defined criteria for resource allocation should be instituted as soon as possible after consideration of specific criteria by the new BRC and those involved in the allocation process. The first criteria employed undoubtedly would be considered imperfect and tentative, but delaying the use of explicit criteria while searching for those that are perfect or agreeable to everyone would, in all likelihood, preclude ever adopting resource allocation criteria.
5. Communication among all parties is essential to the resource allocation process.

Areas of Possible Cost Savings

One difficulty associated with a committee such as the BRC attempting to identify areas of possible cost savings is the learning time associated with simply understanding the operations and budget of the university. When this learning must recur each year for each new BRC, the effectiveness of the Committee is reduced significantly. Therefore, it is imperative that a mechanism be established for assuring the continuity of a substantial portion of the membership of the BRC.

The subcommittees of the BRC have identified several specific areas of possible cost savings. As a general recommendation, however, each of the three subcommittees (Academic Affairs, Business Affairs, Student Affairs) examining areas

of cost savings independently recommended adopting, or considering the adoption of, zero-based budgeting. This recommendation has been incorporated into those set forth in Part I of this report.

Another general concern that arose was that the proportion of the budget devoted to noninstructional and noncredit-producing activities is increasing. For example, within academic affairs, proportionally less resources are being allocated to the schools and more to those units falling outside of the schools. The desirability of this phenomenon should be evaluated and appropriate actions taken.

Additional recommendations are as follows:

1. Steps should be taken to assure greater university-wide coordination when decisions are made.
2. There should be an intensive effort made to develop, evaluate, and implement energy-saving steps.
3. The use, cost, and location of duplicating services should be closely examined, particularly with respect to the arrangements in Buildings II and III.
4. The use of the tract houses should be studied carefully to determine, for each house on a cost-benefit basis, whether the current use is justified, another use would be more appropriate, or the building should be vacated and razed. This examination would need to be coordinated with an examination of space utilization throughout the campus.
5. The entire system of charge-backs for services performed by university employees should be reexamined to determine if some other system might be less costly.

Several additional recommendations have been made by the subcommittees in their reports and, in some cases, directly to the appropriate administrators. Some of these recommendations are currently being studied or implemented. The new BRC should review the progress of these activities.

BRC Working Papers

The Working Papers Subcommittee of the BRC has previously reported the results of its efforts to the appropriate committee of the Planning and Budget Council.